Human Resource Management System (HRMS) **Report as of Date:**
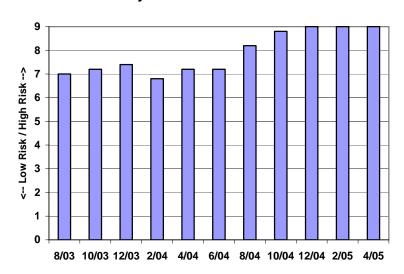**Department of Personnel** April 2005

Project Manager: Brian Turner **MOSTD Staff:** Tom Parma
Project Director: Tom Miller (360) 902-3552
Executive Sponsor: Eva Santos tparma@dis.wa.gov

Severity/Risk Rating: High (high severity, high risk) **Oversight:** Level 3 – ISB

Project Risk Assessment

Staff Recommendations to the Board: ISB staff recommends that:
1. The ISB establish a panel comprised of Board members to review HRMS plans and actions, and that the panel report to the full Board at all meetings for the duration of the HRMS project
2. DOP commit to continuing the Go Live decision process
3. The Go Live decision process include all members of the HRMS steering committee
4. The Quality Assurance vendor attend and participate in the steering committee meetings
5. DOP provide a summary of the following items to the Board prior to the next meeting:
   - Revised project plan, including significant project milestones
   - A list of all change requests, identifying those that are being submitted due to the project re-scoping
   - Any overall project budget variances

Project Synopsis: Since its December 22, 2004 decision to postpone the implementation of Release 1 of the Human Resource Management System (HRMS), DOP has been working with its vendor, Accenture, to re-plan the project. Based on the work performed to date and this replanning effort, DOP has had to renegotiate portions of its contract with Accenture. Contract negotiations are near completion. Both have continued working on project tasks that could proceed. Modifications to the legacy payroll system, PAY1, are on the critical path and are required to process payroll starting in July.

During this period the project management team has designed and is implementing changes to the project's management approach, including:

   - Clarifying lines of responsibility for HRMS functionality, agency deployment, operations preparation, communications, technical infrastructure, and overall program governance

- Resumption of weekly status reporting and metric tracking
- Weekly issues meetings to resolve or escalate issues faster
- Reorganizing the project team structure to minimize overhead
- Restructuring HRMS project plans for consistency and administrative efficiency

In March, Governor Gregoire appointed Eva Santos as the new director of the Department of Personnel. Ms. Santos previously served as the director of the state's Labor Relations Office (LRO), which was established to negotiate master agreements on behalf of the Governor with union-represented employees, as established in the Personnel System Reform Act of 2002. Prior to working for the LRO, Ms. Santos was the deputy director for the Department of Labor & Industries.

Variances:
Schedule: This past December DOP used the Go Live decision process to determine that the project would not be ready for March. There are currently no Go Live dates. A new Go Live date will not be finalized until negotiations with Accenture are completed and the following items are incorporated into the new contract and project plan:

- Activities that were <u>part of the original plan but were not accomplished</u>
- Activities that were <u>not part of the original plan but need to be accomplished</u>
- Agencies' critical dependencies (those with a high probability of affecting the Go Live dates)
- Staffing of critical state positions

Budget/Cost: DOP has agreed in principle to a $10.9 million increase in the HRMS project budget. The funds to cover the additional costs are from resources already included in DOP's and other agencies' budgets. The budget for the 2005-2007 Biennium does not include a new appropriation for the project. The January 31, 2005 budget report was the latest available as of the time of this report; it shows actuals/accruals totaling $32,765,244 (68% of total). The largest variances are in state project team and implementation services costs.

Scope: DOP re-planning efforts continue to focus on the tasks necessary to implement payroll in Release 1. Several Open Design Issues have impacted the schedule and therefore the project budget. As of April 15, there are 12 change orders that are the result of contract renegotiations. The cost of addressing these change orders has been factored into the $10.9 million increase.

Resources: Significant demands on the state's subject matter experts' time continues to be an issue. These are very limited staff whose extensive involvement is required by most of the project teams. DOP continues efforts to secure additional resources, adjust the schedule, and adjust the workload to mitigate this variance.

Risks/Mitigation Tasks:
The project manager's "Top Issues" are not included in this report. The project focus is currently on the contract renegotiations and project replanning efforts. However, the following are the Major Issues reported in the April 14 and 21, 2005 Project Progress Reports (#65 & 66):

1. State resource constraints for staff with payroll expertise
2. Closing the 42 Open Design Issues (17 have been recommended for closure; the remaining Open Design Issues are due to be closed by the end of April)
3. Restructuring Agency Readiness and Interaction for remaining Release 1 efforts
4. Restructuring the Scope and Expectations for interface testing
5. State resource constraints for Payroll subject matter experts
6. Quality of Data Conversion Specifications
7. Determining the size and timing of Release 2

Background Information

Description: The Personnel System Reform Act of 2002 (SHB1268) necessitates extensive changes to Washington State's Civil Service System. SHB1268 establishes a January 1, 2005 deadline to begin implementation of a new classification system, Civil Service Reform (CSR), and a July 1, 2005 deadline for implementation of the first Collective Bargaining (CB) agreements. By these dates, DOP must be able to support the functionality required by the act. DOP is responsible for civil service reform and OFM is responsible for collective bargaining.

DOP's systems support over 65,000 state employees and over 2,000 authorized system users. The systems are over 25 years old, technically complex, costly to modify, and lack the functionality and flexibility to support modern human resources practices and many of the anticipated requirements for CSR/CB. The existing systems also support over 200 interfaces to other state and external systems.

DOP/OFM received Board approval in January 2003 to acquire integration services, software, and hardware to begin replacing the existing payroll/personnel system. The RFP was released in April 2003 and the teams of Accenture/SAP and IBM/PeopleSoft submitted proposals. Accenture/SAP was named the apparently successful vendor on July 7, 2003.

The major project phases are:

Release I – Implement core payroll functionality required to support CSR/CB
- Group 1 – agencies not subject to Collective Bargaining
- Group 2 – remaining agencies

Releases II & III – Implement additional HR functionality (recruitment, training, and performance evaluation) and time reporting

Technology: The proposed technology is:
- SAP's core ERP product, R/3
- SAP's data warehouse product, Business Warehouse
- Microsoft Windows OS
- Microsoft SQL Server DBMS
- Hewlett-Packard Proliant servers
- Accenture implementation services

Budget: The original approved budget for the HRMS project was $32 million (later raised to $39 million during the 2004 legislative session), not including interest, to purchase, develop, and implement the new system. In addition to the $39 million, the Legislature allocated an additional $10 million to the project from Department of Information Services' rebates. The budget has increased $10.9 million due to the extension of the project timeframe.